

State Board of Equalization

The Honorable Gray Davis
Governor of California
May 2000

Dear Governor Davis:

On behalf of the Members and staff of the State Board of Equalization, I am pleased to submit to you our *Annual Report* for fiscal year 1998-99.

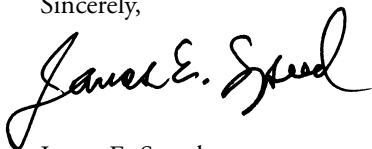
This year, Board-administered taxes and fees yielded more than \$35 billion to support essential state and local programs that benefit California residents. The state's portion of those funds represents over 36 percent of total state revenue. The Board collected \$11 billion that directly benefits cities, counties, and special districts.

Nearly all Board-administered programs reported increased revenue this fiscal year. The revenue growth was driven almost entirely by the state's robust economic expansion. The only significant tax rate increase occurred with the implementation of Proposition 10, enacted by the voters in November 1998. That measure, which increased taxes on cigarettes and tobacco products to fund state and local programs for young children, produced \$391 million of revenue during the first half of 1999.

This report contains additional details on tax programs and revenues, as well as information on significant court decisions, legislation, and regulations; areas of taxpayer noncompliance; and improvements in operations and taxpayer service. Should you need instant electronic access to any portion of the report, you can find it on our Internet site: www.boe.ca.gov.

As we begin the new millennium, we look forward to working with you and the Legislature to ensure that California's tax collection and administration systems remain among the most efficient in the nation.

Sincerely,



James E. Speed
Executive Director

